

R00A99
Early Childhood Development
Maryland State Department of Education

Operating Budget Data

(\$ in Thousands)

	<u>FY 12</u> <u>Actual</u>	<u>FY 13</u> <u>Working</u>	<u>FY 14</u> <u>Allowance</u>	<u>FY 13-14</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$69,438	\$65,353	\$65,533	\$180	0.3%
Contingent & Back of Bill Reductions	0	0	-8	-8	
Adjusted General Fund	\$69,438	\$65,353	\$65,525	\$172	0.3%
Special Fund	0	25	0	-25	-100.0%
Adjusted Special Fund	\$0	\$25	\$0	-\$25	-100.0%
Federal Fund	66,635	75,240	75,159	-81	-0.1%
Contingent & Back of Bill Reductions	0	0	-14	-14	
Adjusted Federal Fund	\$66,635	\$75,240	\$75,145	-\$95	-0.1%
Adjusted Grand Total	\$136,073	\$140,618	\$140,670	\$52	0.0%

- The fiscal 2014 allowance is \$52,320 above the 2013 working appropriation. General funds increase \$172,135 due largely to additional retirement costs and the replacement of fiscal 2013 Budget Restoration Funds, created by Chapter 1 of the First Special Session of 2012, with general funds. Federal funds decrease \$95,130 due to the net effect of a decrease in federal funding for the Child Subsidy Program and the implementation of year 2 of the Race to the Top Early Learning Challenge (RTTT-ELC) grant.

Note: Numbers may not sum to total due to rounding.

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Personnel Data

	<u>FY 12 Actual</u>	<u>FY 13 Working</u>	<u>FY 14 Allowance</u>	<u>FY 13-14 Change</u>
Regular Positions	180.50	175.50	175.50	0.00
Contractual FTEs	<u>1.00</u>	<u>19.00</u>	<u>32.00</u>	<u>13.00</u>
Total Personnel	181.50	194.50	207.50	13.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	12.55	7.15%
Positions and Percentage Vacant as of 12/31/12	16.50	9.40%

- The fiscal 2014 allowance does not provide for any new regular positions. The number of contractual full-time equivalents increases by 13.0 due to additional contractual staff to support the State's RTTT-ELC grant.
- Turnover in the fiscal 2014 allowance is budgeted at 7.15%, which will require the Division of Early Childhood Development (DECD) to maintain the equivalent of 12.55 vacant positions for the entire year. As of December 31, 2012, DECD had 16.5 vacant positions.

Analysis in Brief

Major Trends

Kindergarten Readiness Continues Upward Trend for All Groups: Kindergarten readiness reached 83% in the 2011-2012 school year, compared to 81% in 2010-2011 and 78% in 2009-2010. Every subgroup of children has made steady progress since 2001-2002.

Child Care Subsidy Participation Decline Continues: The total number of Maryland children served by the Child Care Subsidy Program is expected to decrease from 20,068 in fiscal 2012 to 16,200 due to an enrollment freeze implemented in March 2011. As of January 23, 2013, 589 children were on the Child Care Subsidy waitlist.

Issues

Race to the Top Early Learning Challenge Grant Launch: In December 2011, the Maryland State Department of Education (MSDE) received a federal RTTT-ELC grant of \$50 million over four years. The program is designed to narrow the school readiness gap for children in poverty, English language learners, and those with disabilities. Funds are spread over 10 projects and will

involve 27 new FTE contractual staff. **MSDE should comment on the RTTT-ELC grant's progress to date and on whether all projects are on track to be successfully completed by the end of the grant period.**

Child Care Subsidy Program Reopens Lowest Income Levels: In fiscal 2011, MSDE experienced a federal fund shortfall that significantly affected the Child Care Subsidy Program. On March 1, 2011, an enrollment freeze was instituted to accommodate the federal fund shortfall. Since that time, funding for the program has declined by 30.4%, and a waitlist has been established. On November 19, 2012, MSDE was able to reopen three of the lowest income brackets for families requesting assistance. **MSDE should comment on how it will determine whether there are sufficient funds remaining to reopen additional income brackets in the Child Care Subsidy program in fiscal 2013, and on how it will ensure that program expenditures remain within the fiscal 2014 appropriation if additional income brackets are reopened.**

Recommended Actions

1. Concur with Governor's allowance.

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R00A99
Early Childhood Development
Maryland State Department of Education

Operating Budget Analysis

Program Description

The State's early childhood programs are administered by the Division of Early Childhood Development (DECD) within the Maryland State Department of Education (MSDE). The division has a strategic plan that aligns early childhood programs with K-12 education to ensure that children, including those with special needs, enter school ready to learn. The plan focuses on three areas: programs, regulations, and standards; career and professional development for caregivers; and public relations and outreach.

Hoyer Program Emphasizes Quality Care and Support Services

The 2000 legislative session was a turning point for early childhood care in Maryland. Chapter 680 of 2000 established the Judith P. Hoyer Early Child Care and Education Enhancement Program. The program provides grants for local school systems to offer high-quality, full-day child care and education and family support services in or near Title 1 schools which have high proportions of low-income students. The sites are known as "Judy Centers."

Hoyer Grants are also available to private providers of early child care and education to help them pursue accreditation and staff credentialing, which result in improved care for children. Hoyer funds also support administration of the Maryland Model for School Readiness (MMSR), the State's early childhood assessment system.

Focus on School Readiness Solidified in 2005

The 2005 legislative session solidified the focus of Maryland's early child care resources toward school readiness. Chapter 585 of 2005 transferred functions of the Child Care Administration in the Department of Human Resources (DHR) to MSDE and mandated the establishment of DECD. In February 2006, the Purchase of Care Program, which provides financial assistance to low-income families for child care, was transferred from DHR to MSDE by executive order. MSDE is responsible for the budget operations and payment processing for the program which MSDE has designated the Child Care Subsidy Program. DHR still provides eligibility screening through local departments of social services. Contracts for the Maryland Child Care Resource and Referral Network and the Family Support Center Network were also transferred from DHR to MSDE.

DECD includes the Office of Child Care, which has three branches. The Licensing Branch licenses and monitors child care centers and family day care homes in the State. The Child Care Subsidy Branch regulates and administers the Subsidy Program. The Credentialing Branch administers the Maryland Child Care Credential Program; handles tiered reimbursement under the

Child Care Subsidy Program; and manages child care training approval, training vouchers and reimbursements, and accreditation support awards.

Another part of DECD is the Early Learning Branch, which was transferred from MSDE's Division of Instruction. The Early Learning Branch is responsible for public pre-kindergarten and kindergarten policies, the Judith P. Hoyer programs, the MMSR, early childhood curriculum guidance, and early childhood program accreditation. The accreditation work includes coordination of the application process and technical assistance for early care and education programs considering pursuing accreditation.

DECD also has a Collaboration and Program Improvement Branch that issues and administers early care grants and contracts, including the Family Child Care Provider Grant, the Quality Improvement Grant, and the contract for the Maryland Child Care Resource and Referral Network. This branch also handles Head Start collaboration, an early childhood mental health project, and a project to promote leadership and management skills in early childhood programs.

Performance Analysis: Managing for Results

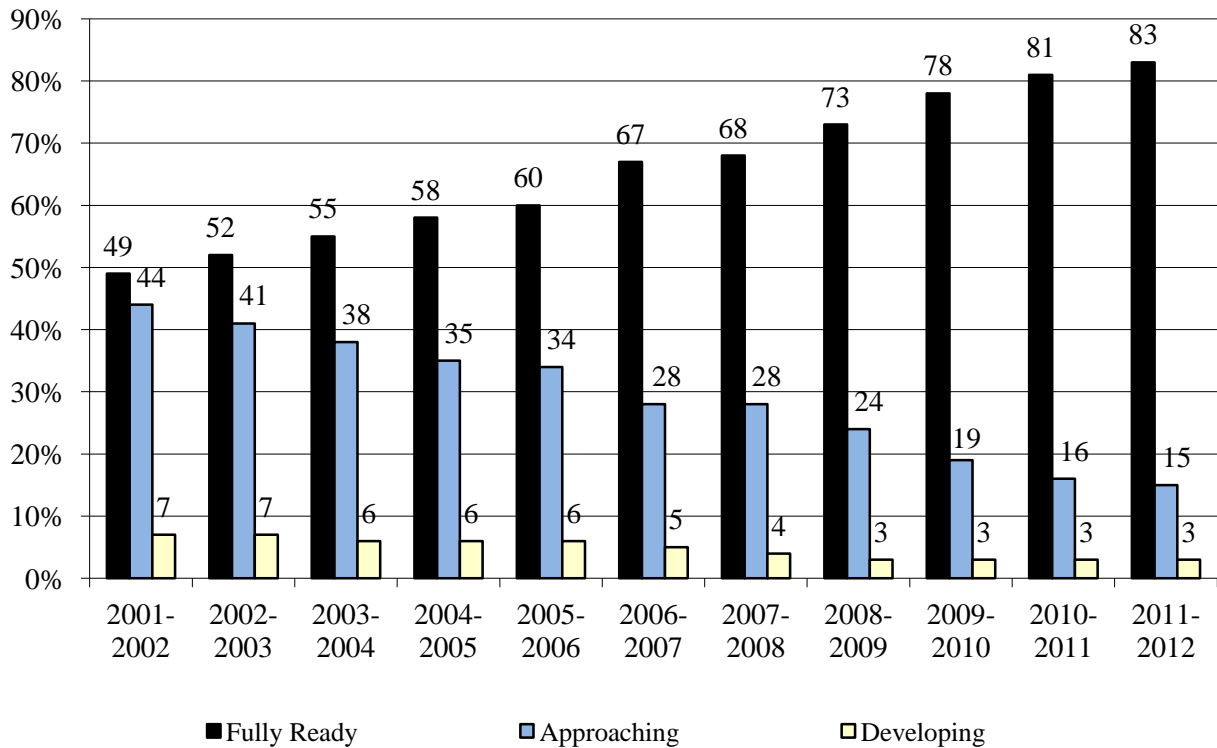
1. Kindergarten Readiness Continues Upward Trend for All Groups

As part of MSDE's aim to improve student achievement, the agency has an objective that all children enter kindergarten ready to learn. To measure kindergarten readiness, the agency uses the MMSR assessment, a standardized assessment with seven domains: personal and social development; language and literacy; mathematical thinking; scientific thinking; social studies; the arts; and physical development.

MMSR data has been collected since the 2001-2002 school year. Teachers evaluate and rate student performance during the first eight weeks of school according to a checklist of 30 indicators. If a student is rated "fully ready," it means that the skills, behaviors, and abilities needed to meet kindergarten expectations are consistently demonstrated. "Approaching" readiness means the necessary skills and behaviors are inconsistently demonstrated. "Developing" means the skills and behaviors are not demonstrated, and considerable instructional support is needed.

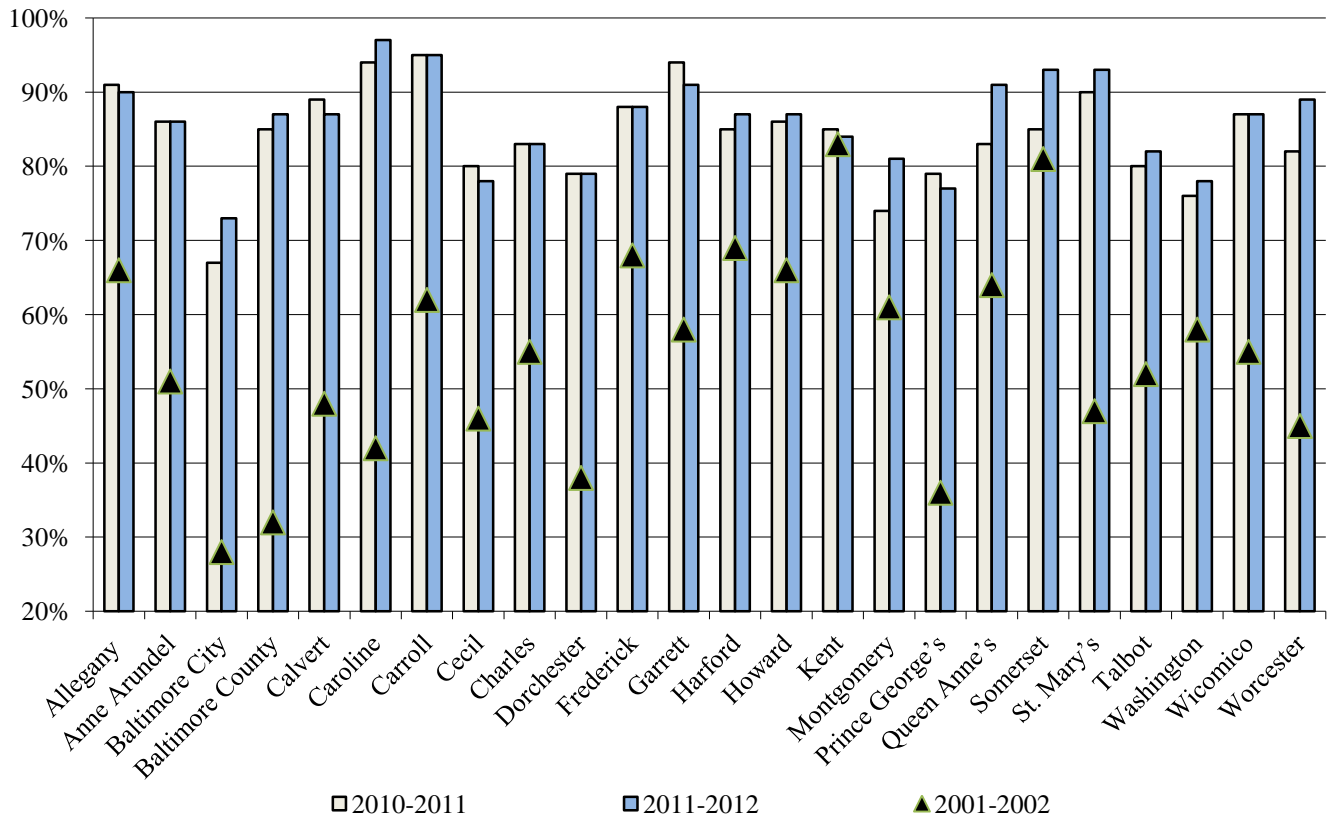
Exhibit 1 shows that kindergarten readiness continued to increase through the 2011-2012 school year. The percent of children rated as fully ready to learn reached 83%, compared to 81% in 2010-2011 and 49% in 2001-2002. **Exhibit 2** shows the percent of students fully ready by county. Caroline County had the highest readiness rate in 2011-2012, at 97%. Baltimore City had the lowest rate, at 73%. Baltimore and Caroline County improved the most (55 percentage points) from 2001-2002 to 2011-2012.

Exhibit 1
Maryland Model for School Readiness
2001-2002 through 2011-2012 School Years



Source: Maryland State Department of Education

Exhibit 2
Children Entering School Fully Ready to Learn
2001-2002, 2010-2011, and 2011-2012 School Years

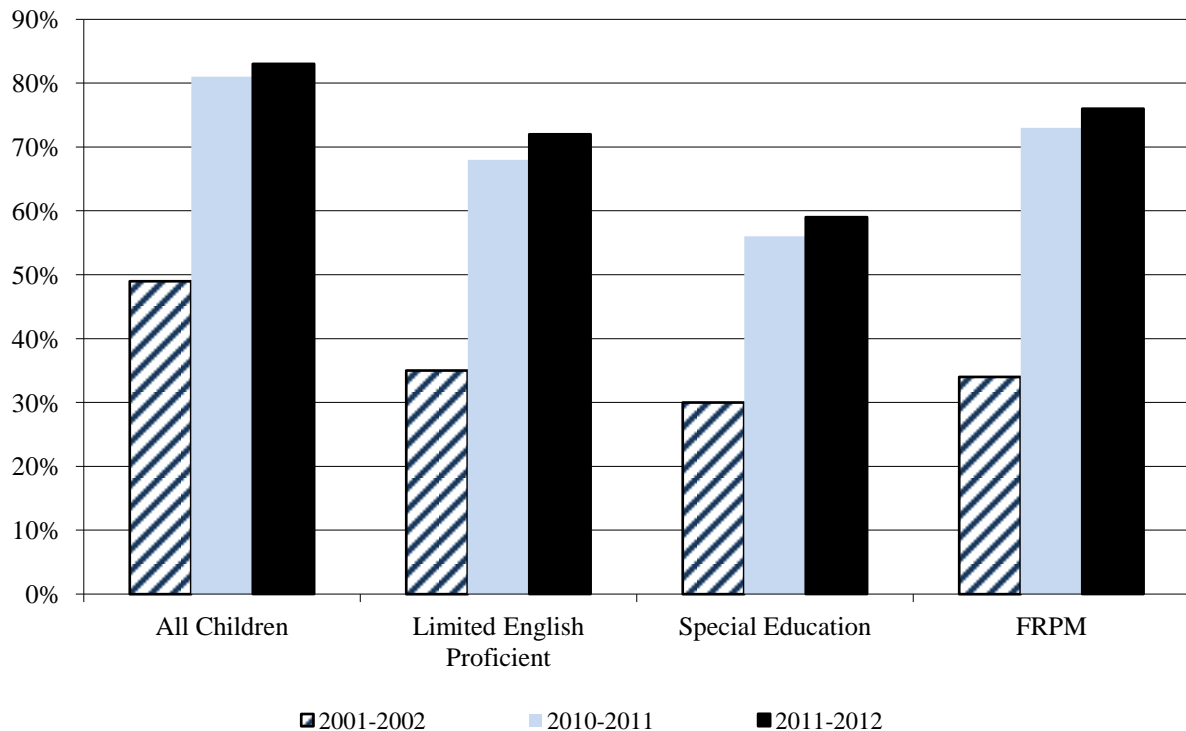


Source: Maryland State Department of Education

Readiness rates can fluctuate noticeably from year to year when looking at data by a local education agency (LEA). In small school systems, a few children's results can have a large effect. Changes to early childhood programs in school systems may also have a significant effect in a single year. If a cohort has many children from a demographic group that tends to get higher or lower scores, the scores for that year may be affected.

While data by LEA may fluctuate, statewide, all subgroups have made steady progress since 2001-2002. **Exhibit 3** shows readiness data for children with limited English proficiency, special education children, and children who qualify for free and reduced price meals (FRPM). Kindergarten readiness among FRPM children have improved the most (42 percentage points) since 2001-2002, while the percentage of children with limited English proficiency that are fully ready improved

Exhibit 3
Maryland Model for School Readiness
Fully Readiness by Limited English Proficiency, Special Education, and FRPM Groups
2001-2002, 2010-2011, and 2011-2012 School Years



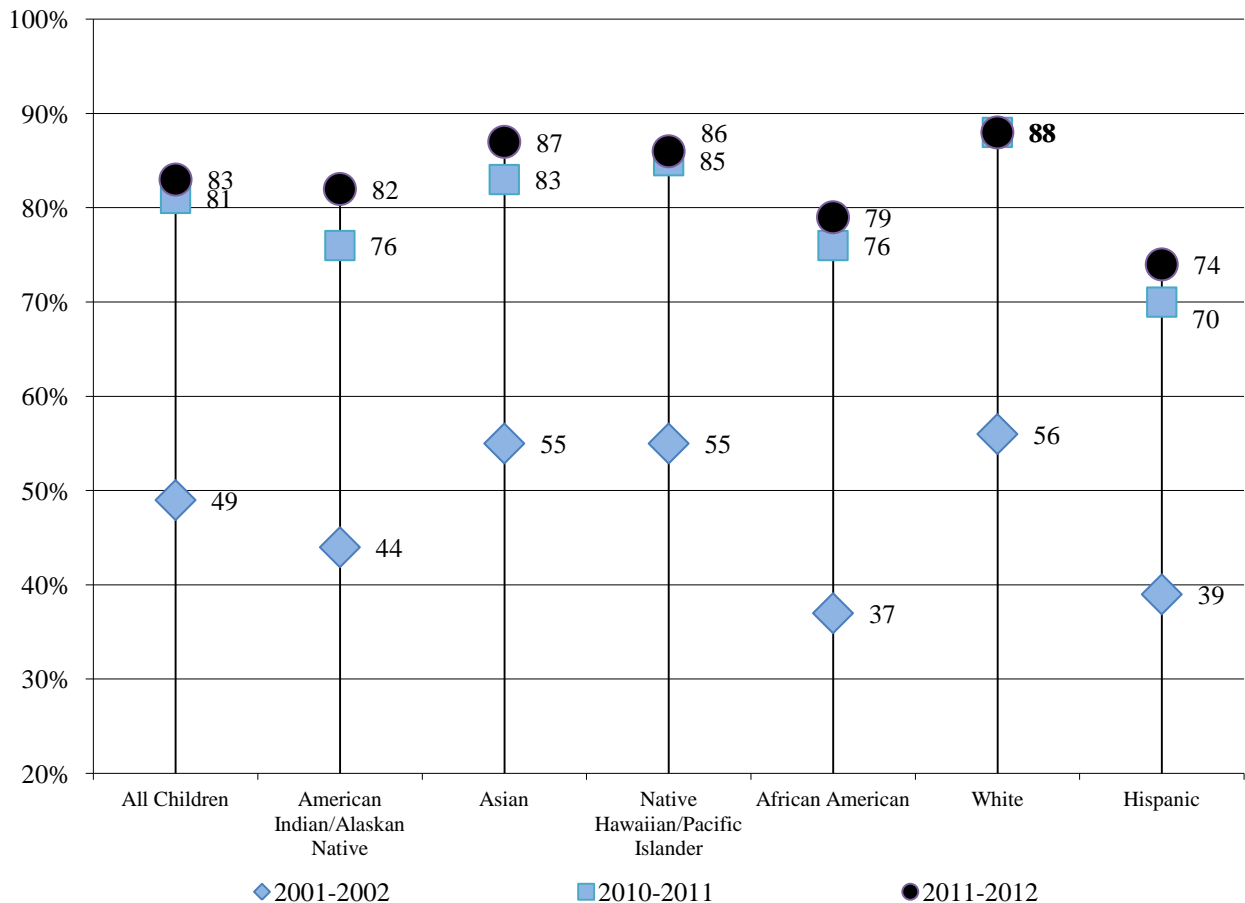
FRPM: free and reduced price meals

Source: Maryland State Department of Education

37 percentage points, and special education children improved by 29 percentage points. Among these groups in 2011-2012, FRPM children were closest to the State composite of all children, although there is a gap of 7 percentage points. The largest gap is 24 percentage points between all children and special education children.

Exhibit 4 shows the percent of children fully ready for kindergarten by race and ethnicity. In the 2011-2012 school year; White children had the highest proportion ready for kindergarten (88%), while Hispanic children had the lowest proportion ready (74%). Since the 2001-2002 school year, African American children improved their standing more than any other subgroup, gaining 42 percentage points.

Exhibit 4
Maryland Model for School Readiness
Full Readiness by Race/Ethnicity
2001-2002, 2010-2011, and 2011-2012 School Years

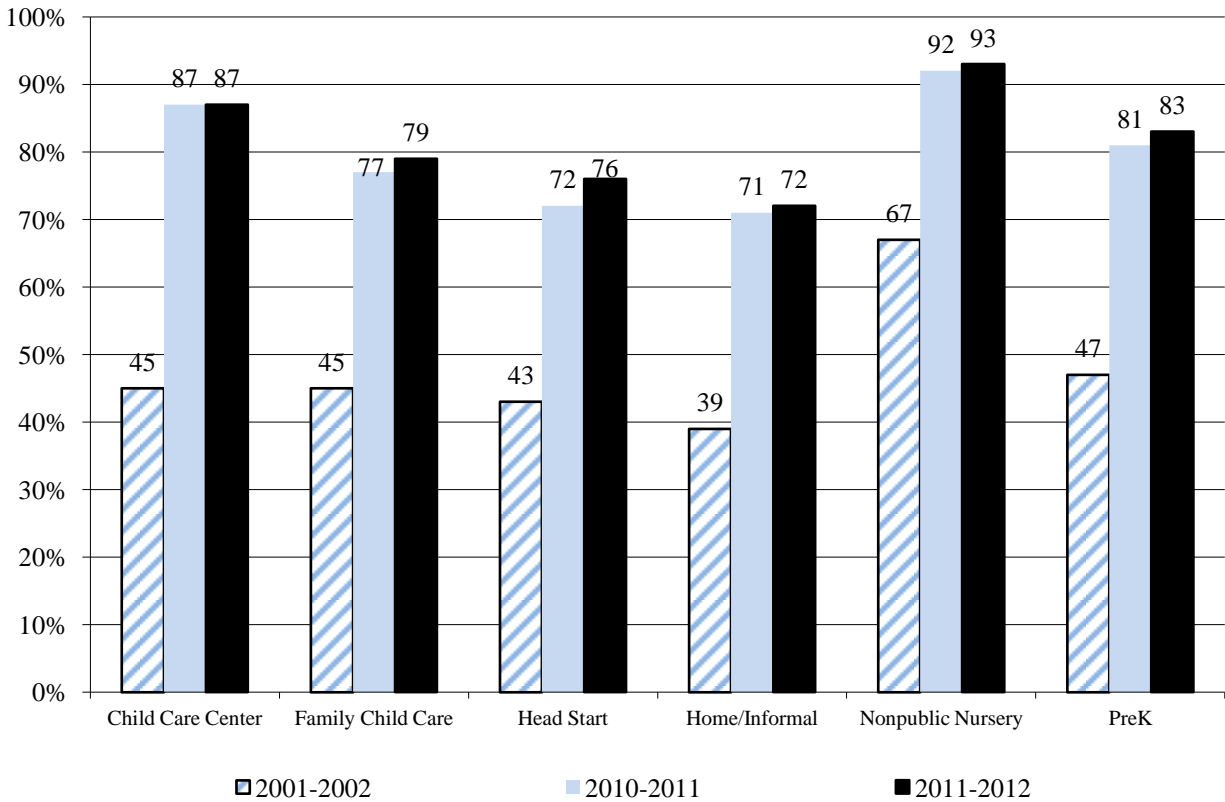


Note: The Maryland State Department of Education began splitting the demographic category Asian/Pacific Islander used in previous reports into two categories in the 2010-2011 School Readiness Report: Asian and Native Hawaiian/Pacific Islander. Data for the 2001-2002 school year are from the combined categories and cannot be separated.

Source: Maryland State Department of Education

Kindergarten readiness data by prior educational experience is shown in **Exhibit 5**. All groups have improved since the 2001-2002 school year. Children from nonpublic nursery schools have the highest kindergarten readiness scores, followed by child care centers and pre-kindergarten programs. Children in home or informal care arrangements are the least ready. **MSDE should**

Exhibit 5
Readiness by Prior Educational Experience
2001-2002, 2010-2011, and 2011-2012 School Years



Source: Maryland State Department of Education

discuss why kindergarten readiness among children in home and informal care has increased as much as 33 percentage points since 2001-2002.

As part of the State's Race to the Top Early Learning Challenge (RTTT-ELC) grant, MSDE is revising the MMSR to align to the Common Core Standards. **MSDE should discuss how this revision is expected to change the existing assessments, and whether kindergarten readiness rates are expected to decrease under the revised assessments.**

2. Child Care Subsidy Participation Decline Continues

The total number of children served by the Child Care Subsidy Program is expected to decrease to 16,200 in fiscal 2013 from 20,068 in fiscal 2012 and 25,617 in fiscal 2011. In March 2011 an enrollment freeze was implemented, and a waitlist was established as a result of an overestimate of available federal funds in fiscal 2011. In November 2012, several lower income brackets were reopened, though program enrollment for fiscal 2013 is expected to remain below 2012 due to attrition. As of January 23, 2013, 589 children were on the Child Care Subsidy waitlist. The number of children on the child care waitlist has decreased significantly since January 31, 2012, when 15,020 children were on the waitlist, as families were required to reapply for assistance in November when some income brackets were reopened. The proportion of income-eligible families receiving subsidies is expected to decline from 17.5% in fiscal 2012 to 15.4% in fiscal 2013, down from a high of 24.9% in fiscal 2009.

The subsidy program provides vouchers to help with child care costs for eligible low-income working families through local departments of social services. Vouchers are given to a regulated or informal care provider, and the provider submits them to MSDE for reimbursement. Voucher recipients pay a copayment, unless they are eligible for Temporary Cash Assistance or Supplemental Security Income. The Child Care Subsidy Program is discussed in more detail in Issue 2 of this analysis.

Two other performance measures relate to child care providers. The percent of child care providers participating in the credentialing program continues to rise, totaling 18.6% in fiscal 2012, compared to 17.2% in fiscal 2011 and 15.6% in fiscal 2010. MSDE expects the percentage of participating providers to rise to 25.7% in fiscal 2013 due to the launch of MarylandEXCELS, a quality improvement system for early care programs, which will be implemented statewide in July 2013. Participation by program staff in the Credentialing Program is the basic criterion required for programs to advance through the MarylandEXCELS system.

Proposed Budget

The fiscal 2014 allowance is \$52,320 above the 2013 working appropriation. **Exhibit 6** shows the changes by fund as well as key increases and decreases. **Appendix 4** shows changes by program.

Exhibit 6
Proposed Budget
MSDE – Early Childhood Development
(\$ in Thousands)

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Total</u>
2013 Working Appropriation	\$65,353	\$25	\$75,240	\$140,618
2014 Allowance	<u>65,533</u>	<u>0</u>	<u>75,159</u>	<u>140,692</u>
Amount Change	\$180	-\$25	-\$81	\$74
Percent Change	0.3%	-100.0%	-0.1%	0.1%
Contingent Reductions	-\$8	0	-\$14	-\$22
Adjusted Change	\$172	-\$25	-\$95	\$52
Adjusted Percent Change	0.3%	-100.0%	-0.1%	0.0%

Where It Goes:

Personnel Expenses

State contribution to employee retirement	\$279
Salary adjustments	-8
Annualized fiscal 2013 cost-of-living adjustment	110
Employee and retiree health insurance	162
Workers' compensation	5
Turnover adjustments.....	78
Other fringe benefit adjustments.....	4

Other Changes

Federal Race to the Top Early Learning Challenge grant.....	3,196
Maryland Child Care Resource and Referral Network	1,656
Restoration of leased postage machines, copier, and travel budget for regional offices	254
Department of Budget and Management controlled expenditures.....	37
In-state training – early learning	7
End of ARRA Head Start Child Care Advisory grant	-115
Cancel licensing contracts to health departments and other vendors.....	-392
Pilot labs and Comprehensive Assessment System field testing	-551

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Where It Goes:

Quality Rating and Improvement System	-986
Reduction in Child Care Subsidy expenditures due to continuation of a waitlist.....	-3,683
Other	-1
Total	\$52

ARRA: American Recovery and Reinvestment Act of 2009

Note: Numbers may not sum to total due to rounding.

Personnel Changes

Fiscal 2014 personnel costs increase \$630,148 due largely to employee retirement and health insurance costs, and the annualized cost of the fiscal 2013 statewide cost-of-living adjustment (COLA). Contribution rates for the regular employees, teachers, State Police, and law enforcement officers pension plans increase in fiscal 2014. The rate increases are attributable to underattaining investment returns, adjusting actuarial assumptions, and increasing the reinvestment of savings achieved in the 2011 pension reform. Across-the-board reductions of \$7,948 in general funds and \$14,025 in federal funds are attributable to overbudgeted health insurance.

Major Changes

The fiscal 2014 allowance includes a \$3.2 million increase for RTTT-ELC funds as the State enters years two and three of this competitive grant, discussed in Issue 1 of this analysis. Funds for the Maryland Child Care Resource and Referral Network increase \$1.7 million over the fiscal 2013 working appropriation. Though \$2.0 million was restored for the Maryland Child Care Resource and Referral Network in fiscal 2013, the increase has not been recognized through a budget amendment to date and is not reflected in the fiscal 2013 working appropriation. The Maryland Child Care Resource and Referral Network is a major contract that DECD has with the Maryland Family Network (MFN), a nonprofit organization that provides services to families and child care providers statewide. The resource network contract is to provide resources and training to childcare providers and to operate a phone counseling and online database for parents seeking childcare. The Maryland Child Care Resource and Referral Network contract is budgeted for \$3.2 million, down from \$3.5 million in fiscal 2012 and 2013. MFN also received \$1.0 million in federal RTTT-ELC funds in fiscal 2013 to establish early childhood Breakthrough Centers.

A second major contract with MFN is for the Family Support Center Network, which provides high quality childcare for parents who are onsite learning parenting skills and working to attain economic and social self-sufficiency. The Department of Budget and Management reports that this contract is budgeted at the fiscal 2013 level of \$4.7 million in fiscal 2014. Other increases include \$253,802 to restore funds to support leased postage and copier machines, as well as travel expenses in the regional offices budget for licensing specialists to visit daycare providers after they were

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inadvertently excluded in fiscal 2013 budget, and \$179,190 to support stipends for additional validators in the State's Accreditation Project.

Child Care Subsidy grants decrease \$3.7 million due to the continuation of a waitlist and program attrition. Funds for credentialing decrease \$986,115 as the existing Quality Rating and Improvement System is replaced by MarylandEXCELS. MarylandEXCELS, supported by the RTTT-ELC grant, is a voluntary program that awards ratings to child care providers that meet increasingly higher standards in different areas of early care and education such as licensing, learning environments, staff, and professional development. Other decreases include \$550,575 due to the inadvertent exclusion of funds to support pilot lab stipends and field testing of the Comprehensive Assessment System; \$391,663 due to the cancelation of a licensing contract with the Baltimore City Health Department and other various contracts to reduce division spending; and \$114,758 as the American Recovery and Reinvestment Act of 2009 – Head Start Child Care Advisory grant ends. The grant funded a council that developed a three-year plan to improve access to high-quality child care and promote community partnerships for kindergarten readiness. Council activities will continue once the grant ends.

The Hoyer programs and State funding for Head Start receive general funds and are level funded in the 2014 allowance.

Issues

1. Race to the Top Early Learning Challenge Grant Launch

In December 2011, MSDE received a federal RTTT-ELC grant of \$50 million over four years. The program is designed to narrow the school readiness gap for children in poverty, English language learners, and those with disabilities. 45

Exhibit 7 shows the plan for RTTT-ELC funds by project type. The work involves 27 new FTE contractual staff. Funds are spread over the 10 projects identified in MSDE's grant application over four grant years. Spending in grant year one totaled \$6.7 million, as some projects were slow to get off the ground and funds were carried forward into grant year two.

Project Status

Exhibit 8 describes recent milestones that each RTTT-ELC project has reached as of December 31, 2012, at the close of grant year 1.

MSDE should comment on the RTTT-ELC grant's progress to date and on whether all projects are on track to be successfully completed by the end of the grant period.

Exhibit 7
Early Learning Race to the Top Funds by Project Type

	<u>FTE Staff</u>	<u>Grant Year 1 Actual</u>	<u>Grant Year 2 Working</u>	<u>Grant Year 3 Budgeted</u>	<u>Grant Year 4 Budgeted</u>	<u>Total Funding</u>
MarylandExcels	21.0	\$1,566	\$4,372	\$6,272	\$9,055	\$21,265
Quality Capacity Building	0.0	1,766	2,566	2,566	2,566	\$9,463
Early Learning Data System	2.0	311	3,735	446	273	\$4,764
Comprehensive Assessment System	1.0	1,812	1,124	647	1,088	\$4,671
Family Engagement and Support	0.5	217	499	641	824	\$2,180
Professional Development for Early Learning Standards	1.0	248	519	621	423	\$1,812
Child Development Innovations	0.5	329	322	359	343	\$1,354
Local Early Childhood Councils	0.0	131	1,126	46	22	\$1,325
Early Learning and Development Standards	0.8	234	318	320	275	\$1,147
Leadership in Early Learning Academies	0.3	108	314	315	315	\$1,053
Total	27.0	\$6,723	\$14,895	\$12,234	\$15,183	\$49,035

FTE: full-time equivalent

Note: For project 10 – Early Learning Data System, \$3.3 million was carryover from year 1 and year 2.

Source: Maryland State Department of Education

Exhibit 8
Early Learning Race to the Top Project Milestones

<u>Project</u>	<u>Milestones</u>
MarylandExcels	Completed pilot of 45 early childhood programs; initiated field test of 330 programs.
Quality Capacity Building	<p>Created a master list of all early childhood programs in Title 1 attendance areas.</p> <p>Established an Early Childhood Breakthrough Center infrastructure using the State’s Child Care Resource and Referral Network to work with programs in Title 1 attendance areas.</p> <p>Established Judy Centers in Baltimore City and Prince George’s County; two community hubs in Baltimore City to coordinate social and education services for families of young children; and 5 <i>Preschool for All</i> sites in Title 1 communities.</p>
Early Learning Data System	Established Early Childhood Data Warehouse interfaces with the Child Care Administrative Tracking System, Electronic Licensing Inspection System, and Maryland Model for School Readiness Kindergarten Assessment datasets.
Comprehensive Assessment System	Entered into a memorandum of agreement with Ohio Department of Education, recruited staff and developed a management structure; and completed assessment framework and test blueprint for the Kindergarten Entry Assessment and Formative Assessment.
Family Engagement and Support	Established Family Library Councils at five library systems to plan for space, outreach, meeting agendas, speakers, and parent/child actives; setting up literacy councils to facilitate training for physicians for the Reach Out and Read program; physicians have begun distributing books.

Project**Milestones**

Professional Development for Early Learning Standards	Professional development modules for the Maryland Model for School Readiness assessment system have been revised. Train the trainer sessions will begin in February 2013.
Child Development Innovations	Established a statewide early childhood mental health consultation hotline for pediatricians for children with social, emotional, and behavioral concerns. Developing online training modules for the Social and Emotional Foundations of Early Learning.
Local Early Childhood Councils	Established 24 jurisdictional early childhood councils – 22 applied for and received planning grants to develop long-term action agendas. Councils are eligible for implementation grants based on a formula. Leadership training for all councils using the Annie E. Casey Foundation’s <i>Capacity Building Leadership Curriculum</i> is ongoing.
Early Learning and Development Standards	Developed a draft document aligning Healthy Beginnings (Birth to 48 months), Common Core Standards for Pre-kindergarten, and Head Start Early Learning Framework. Began Vocabulary Improvement and Oral Enrichment Through Stories training for 30 classrooms in Title 1 communities. A total of 150 classrooms will participate by 2015.
Leadership in Early Learning Academies	Established the first cohort of 15 candidates to participate in the Maryland Approved Alternative Preparation Program for Early Childhood Education through a contract with the New Teacher Project.

Source: Maryland State Department of Education

2. Child Care Subsidy Program Reopens Lowest Income Levels

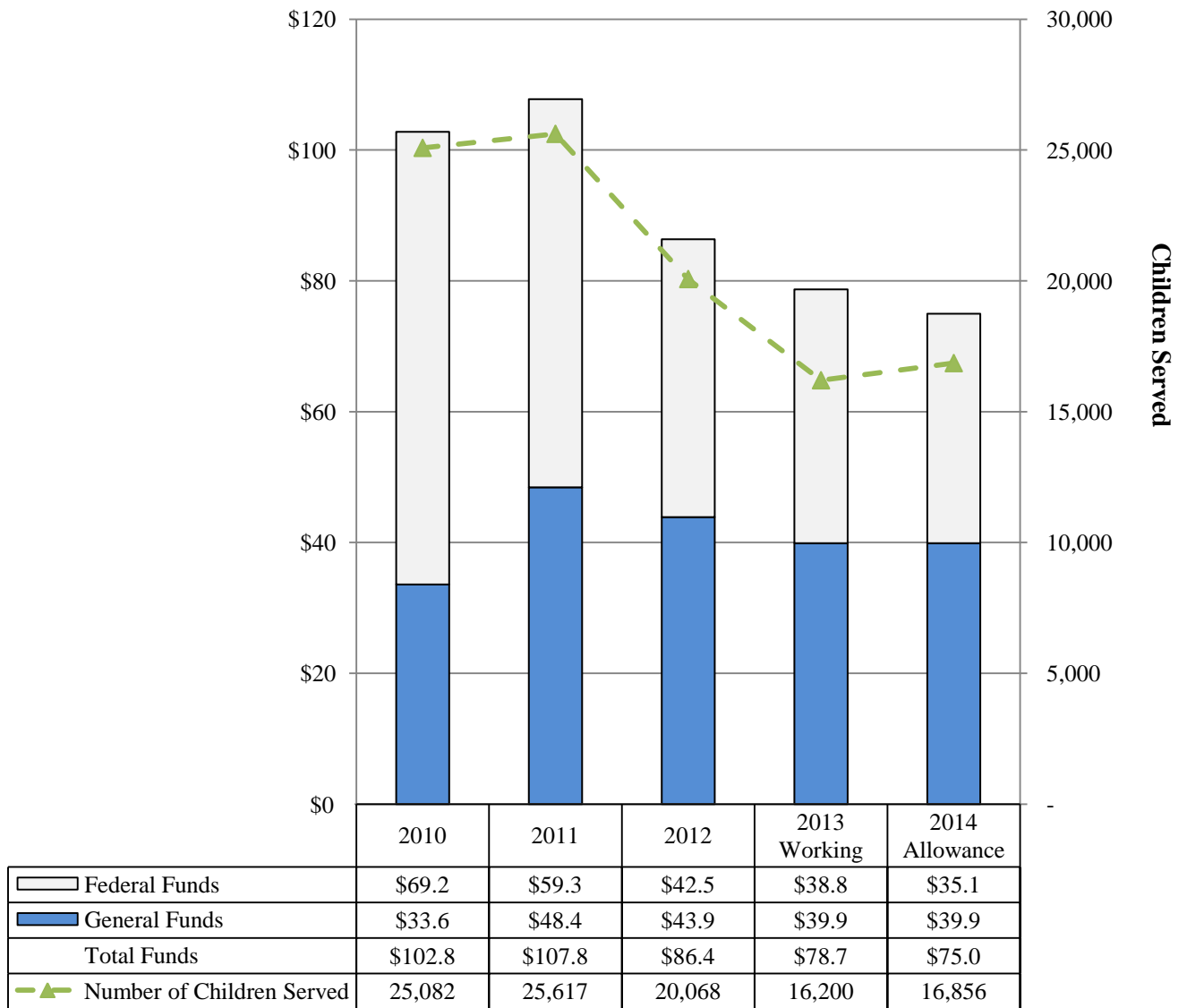
The Child Care Subsidy Program provides financial assistance to eligible working families for child care costs by issuing vouchers to help with the cost of care. In fiscal 2011, MSDE experienced a federal fund shortfall that significantly affected early childhood programs, including the Child Care Subsidy Program. On March 1, 2011, an enrollment freeze was instituted to accommodate the federal fund shortfall. Since that time, funding for the program has declined by 30.4%, and a waitlist has been established.

Exhibit 9 shows changes in general and federal funds for the Child Care Subsidy Program from fiscal 2010 to 2014, as well as program participation. To support the Child Care Subsidy Program for the remainder of fiscal 2011 in the face of the federal fund shortfall, a \$14.8 million general fund deficiency was approved. As shown in Exhibit 9, at the program's peak in fiscal 2011, total funding reached \$107.8 million, serving 25,617 children. In fiscal 2012, federal funds declined \$16.8 million as the shortfall continued, and a \$10.3 million general fund deficiency was required to supplant federal Temporary Assistance for Needy Families (TANF) funds. General funds decline to \$39.9 million in fiscal 2013 and 2014 following two years of general fund deficiencies, though remain above the fiscal 2010 amount of \$33.6 million. Federal funds decrease in both fiscal 2013 and 2014 reaching \$35.1 million in fiscal 2014. The fiscal 2014 allowance is expected to total \$75.0 million, down from \$78.7 million in fiscal 2013.

As of January 23, 2013, there were 589 children on the Child Care Subsidy Program waitlist. As shown in Exhibit 9, the number of children served has decreased from 25,617 in fiscal 2011 to an expected 16,200 in fiscal 2013 as a result of frozen enrollment and program attrition. The Child Care Subsidy program was able to reopen three of the lowest income levels for families requesting assistance on November 19, 2012, as a result of attrition. A family of three must have an annual gross income of less than \$15,098 in order to qualify. MSDE notified all families on the Child Care Subsidy waitlist of the change by mail. Families that reapply and are found to be eligible for assistance will receive vouchers if income and all other criteria are met.

MSDE reports that there are no immediate plans to open additional income levels, as actual expenditure data for the initial reopening will not be available until March 2013. **MSDE should comment on how it will determine whether there are sufficient funds to reopen additional income brackets in the Child Care Subsidy program in fiscal 2013, and on how it will ensure that program expenditures remain within the fiscal 2014 appropriation if additional income brackets are reopened.**

Exhibit 9
Child Care Subsidy
Fiscal 2010-2014
(\$ in Millions)



Source: Governor's Budget Books, Fiscal 2011-2014

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

Current and Prior Year Budgets MSDE – Early Childhood Development (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2012					
Legislative Appropriation	\$59,063	\$0	\$96,133	\$0	\$155,197
Deficiency Appropriation	10,286	0	-10,286	0	0
Budget Amendments	91	0	-6,832	0	-6,741
Reversions and Cancellations	-3	0	-12,380	0	-12,383
Actual Expenditures	\$69,438	\$0	\$66,635	\$0	\$136,073
Fiscal 2013					
Legislative Appropriation	\$65,353	\$0	\$75,176	\$0	\$140,528
Budget Amendments	0	25	65	0	90
Working Appropriation	\$65,353	\$25	\$75,240	\$0	\$140,618

Note: Numbers may not sum to total due to rounding.

Fiscal 2012

The fiscal 2012 budget closed at \$136.1 million, which was \$19.1 million less than the legislative appropriation.

Deficiencies: A general fund deficiency appropriation of \$10.3 million replaced federal TANF funds in the Child Care Subsidy Program due to a shortfall of TANF funds available to the State.

Budget Amendments: The fiscal 2012 appropriation increased by \$91,265 in general funds and \$40,707 in federal funds to reflect the one-time \$750 employee bonus. Federal funds decreased \$6.9 million to reflect anticipated funding from the Child Care and Development Block Grant for the Child Care Subsidy Program which was not received.

Reversions and Cancellations: Federal fund cancellations totaled \$12.4 million. Of this total, \$8.0 million in the Division of Early Childhood Development is attributable to RTTT-ELC funds that will be carried forward into fiscal 2013 due to a delay in the startup of grant activities, while \$4.4 million was cancelled to reflect the institution of a waitlist in the Child Care Subsidy Program.

Fiscal 2013

The fiscal 2013 appropriation increased by \$24,685 in special funds and \$64,895 in federal funds to reflect the statewide COLA.

Major Information Technology Projects

Maryland State Department of Education Enhanced Child Care Administration Tracking System II (eCCATS)

Project Status¹	Implementation.	New/Ongoing Project:	Ongoing.
Project Description:	This project is an upgrade to the existing Child Care Administration and Tracking System (CCATS), which supports child care licensing, subsidies, credentialing, grants, and related accounting processes. The initial CCATS was developed by the Department of Human Resources and does not accommodate business processes at the Maryland State Department of Education (MSDE).		
Project Business Goals:	Goals are to improve the operational efficiency, system performance, and end-to-end support of MSDE child care business processes. New functions will provide enhanced subsidy payments processing and tracking, correction of deficiencies in the credentialing interface, business object report development, and implementation of a robust reporting architecture.		
Estimated Total Project Cost¹:	\$11,222,511	Estimated Planning Project Cost¹:	\$2,469,229
Project Start Date:	March 2009	Projected Completion Date:	Fiscal 2016
Schedule Status:	The project has been constrained for the past few years due to a lack of funding. The project is a compilation of many individual enhancements. The project is behind schedule, but is currently catching up, due to delays caused by four major policy changes in 2012 including (1) the creation of a new category called “large family child care” providers in the State; (2) a request from the Governor’s Office to implement changes to an agreement with the Service Employee International Union; (3) the implementation of a policy to suspend child care provider licenses for individuals who are delinquent on their child support; and (4) the implementation of plans to alter the waitlist criteria for provider subsidies. MSDE was awarded a federal Early Learning Challenge (ELC) grant. The grant allows Maryland to implement infrastructure changes already in the pipeline that will provide long-term benefits to children, including enhancements to the CCATS II.		
Cost Status:	Annual costs fluctuate depending on the amount of anticipated available resources.		
Scope Status:	The federal RTTT-ELC grant will allow additional options to be initiated, especially in the areas of the portal, subsidy payments and grant management which originally did not have funding but were within the scope of the contract.		
Project Management Oversight Status:	A portfolio review meeting was held September 24, 2012. No independent verification assessments have been initiated, and no peer review committees are assigned.		

Identifiable Risks:	New federal funding received mid-way through the task order increases schedule risk to complete work prior to May 31, 2014 when the current task order ends. The CCATS II contract will expire before all of the scope is completed, especially the scope under the RTTT-ELC grant. MSDE intends to mitigate this risk by moving all deliverables that are not yet underway to a separate contract that will not expire in 2014. Other identified high and medium risks include funding, as future changes in funding level may have a significant impact on the project schedule, constrained project resources and unanticipated maintenance requirements that may drain resources from project work; interdependency with other agency projects; implementation, as there may be user resistance; and flexibility, as project components are only partially adaptable.							
Additional Comments:	None.							
Fiscal Year Funding (\$ in Thousands)	Prior Years	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Balance to Complete	Total
Personnel Services	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Professional and Outside Services	2,627.6	1,775.6	3,075.0	3,319.8	0.0	0.0	8,170.4	10,798.0
Other Expenditures	153.5	0.0	271.0	0.0	0.0	0.0	271.0	424.5
Total Funding	\$2,781.2	\$1,775.6	\$3,346.0	\$3,319.8	\$0.0	\$0.0	\$8,441.3	\$11,222.5

¹ In calendar 2011, a two-step approval process was adopted. Initially, an agency submits a Project Planning Request. After the requirements analysis has been completed and a project has completed all of the planning required through Phase Four of the Systems Development Lifecycle (Requirements Analysis), including a baseline budget and schedule, the agency may submit a Project Implementation Request and begin designing and developing the project when the request is approved. For planning projects, costs are estimated through planning phases. Implementation projects are required to have total development costs.

**Object/Fund Difference Report
MSDE – Early Childhood Development**

<u>Object/Fund</u>	<u>FY 12 Actual</u>	<u>FY 13 Working Appropriation</u>	<u>FY 14 Allowance</u>	<u>FY 13 - FY 14 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	180.50	175.50	175.50	0.00	0%
02 Contractual	1.00	19.00	32.00	13.00	68.4%
Total Positions	181.50	194.50	207.50	13.00	6.7%
Objects					
01 Salaries and Wages	\$ 12,974,024	\$ 12,996,342	\$ 13,648,463	\$ 652,121	5.0%
02 Technical and Spec. Fees	184,230	2,467,607	2,310,596	-157,011	-6.4%
03 Communication	474,192	622,444	643,195	20,751	3.3%
04 Travel	143,210	171,600	389,663	218,063	127.1%
06 Fuel and Utilities	45,883	111,516	98,000	-13,516	-12.1%
07 Motor Vehicles	41,768	68,200	62,078	-6,122	-9.0%
08 Contractual Services	6,775,327	15,148,760	6,349,446	-8,799,314	-58.1%
09 Supplies and Materials	94,417	127,697	130,250	2,553	2.0%
10 Equipment – Replacement	2,470	0	0	0	0.0%
11 Equipment – Additional	16,968	48,610	0	-48,610	-100.0%
12 Grants, Subsidies, and Contributions	114,412,150	107,632,963	115,971,364	8,338,401	7.7%
13 Fixed Charges	908,029	1,221,918	1,088,895	-133,023	-10.9%
Total Objects	\$ 136,072,668	\$ 140,617,657	\$ 140,691,950	\$ 74,293	0.1%
Funds					
01 General Fund	\$ 69,437,542	\$ 65,352,525	\$ 65,532,608	\$ 180,083	0.3%
03 Special Fund	0	24,685	0	-24,685	-100.0%
05 Federal Fund	66,635,126	75,240,447	75,159,342	-81,105	-0.1%
Total Funds	\$ 136,072,668	\$ 140,617,657	\$ 140,691,950	\$ 74,293	0.1%

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.

Fiscal Summary
MSDE – Early Childhood Development

<u>Program/Unit</u>	<u>FY 12 Actual</u>	<u>FY 13 Wrk Approp</u>	<u>FY 14 Allowance</u>	<u>Change</u>	<u>FY 13 - FY 14 % Change</u>
10 Division of Early Childhood Development	\$ 37,335,941	\$ 49,573,971	\$ 53,331,662	\$ 3,757,691	7.6%
57 Transitional Education Funding Program	10,574,999	10,575,000	10,575,000	0	0%
58 Head Start	1,798,415	1,800,000	1,800,000	0	0%
59 Child Care Subsidy Program	86,363,313	78,668,686	74,985,288	-3,683,398	-4.7%
Total Expenditures	\$ 136,072,668	\$ 140,617,657	\$ 140,691,950	\$ 74,293	0.1%
General Fund	\$ 69,437,542	\$ 65,352,525	\$ 65,532,608	\$ 180,083	0.3%
Special Fund	0	24,685	0	-24,685	-100.0%
Federal Fund	66,635,126	75,240,447	75,159,342	-81,105	-0.1%
Total Appropriations	\$ 136,072,668	\$ 140,617,657	\$ 140,691,950	\$ 74,293	0.1%

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.